

**PINE HILL WATER WORKS DISTRICT NO. 8**

**CADDO PARISH, LOUISIANA**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JULY 31, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/18/09

**PINE HILL WATER WORKS DISTRICT NO. 8**

**CADDO PARISH, LOUISIANA**

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## **REQUIRED SUPPLEMENTAL INFORMATION**

**PINE HILL WATER WORKS DISTRICT #8**  
**P. O. BOX 78360**  
**CADDO PARISH, LA 71137-8360**

**Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of the Pine Hill Water Works District #8 financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2008. Please read it in conjunction with the District's financial statements, which begin on page 5.

**FINANCIAL HIGHLIGHTS**

The District's net assets increased by \$449,085 or 212%.

The District's total revenues were \$663,012 in 2008 compared to \$655,897 in 2007.

During the year ended July 31, 2008 the District had total expenses, excluding depreciation, of \$641,767 compared to \$517,367 in 2007.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts; management's discussion and analysis, the basic financial statements, and required supplemental information. The statement of net assets provides long-term and short-term information about the District's financial status. The statements of revenue, expenses, and changes in net assets and statements of cash flows provide historical data on the District's business-like activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Pine Hill Water Works District #8 is a component unit of the Parish of Caddo, Louisiana because the Parish must approve all officials appointed to the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District.

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Assets**

The following table summarizes the financial status of the District:

	Net Assets (in thousands of dollars)		
	2008	2007	% Change
Current and other assets	541	1,515	-64.29%
Capital assets	1,843	435	323.68%
Total assets	2,384	1,950	22.26%
Long-term debt outstanding	1,200	1,200	0.00%
Other liabilities	337	351	-3.99%
Total liabilities	1,537	1,551	-0.90%
Investment in capital assets	643	295	117.97%
Restricted	179	141	26.95%
Unrestricted	25	(38)	-165.79%
Total net assets	847	398	112.81%

Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating. The District's financial position has remained constant.

#### Changes in Net Assets

The following table summarizes the change in the District's net assets:

Change in Net Assets (in thousands of dollars)			
	2008	2007	% Change
Revenues			
Fees and charges for service	663	656	1.07%
Interest income	21	28	
Total revenues	684	684	0.00%
Expenses			
Water operations	641	517	23.98%
Depreciation	62	27	129.63%
Interest expenses	58	33	75.76%
Total expenses	761	577	31.89%
Change in net assets	(77)	107	-171.96%

Revenues have remained fairly constant from prior years. The increase in water operations expense is related to a decrease in water purchased from the City of Shreveport and system repairs. The District strives to maintain a maintenance plan to prevent large problems. The Board is continuing to review fluctuations and is charged with maintaining a rate for its customer services that will cover the operations and debt service.

#### CAPITAL ASSETS

At July 31, 2008, the District had invested \$1,842 thousand in capital assets, including land, water system infrastructure, a vehicle, and equipment. A substantial system workover was completed during the current fiscal year.

#### Capital Assets (Net of depreciation, in thousands of dollars)

	2008	2007	% Change
Land	20	20	0.00%
Office building	53	53	0.00%
Water system	1,758	174	910.34%
Machinery and equipment	11	13	-15.38%
Construction in progress	-	175	
Total	1,842	435	323.45%

The District received a state grant for improvements to the system in the amount of \$526,500. In addition, an additional \$1,113,000 of upgrades and improvements were made to the system.

## LONG-TERM DEBT

At year-end the District had \$1,200 thousand in revenue bonds outstanding. The bonds are in an interest only status for the current year.

### Outstanding Bonds Payable (in thousands of dollars)

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Revenue bonds	<u>1,200</u>	<u>1,200</u>	<u>0.00%</u>
Total	<u>1,200</u>	<u>1,200</u>	<u>0.00%</u>

This financial report is designed to provide the constituents and taxpayers with a general overview of the finances for the funds maintained by the Pine Hill Water Works District #8 and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's office at 4922 North Market St., Shreveport, LA, 71107.

# Richard C. McCallister

Certified Public Accountant

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## Independent Auditor's Report

The Board of Commissioners  
Pine Hill Water Works District #8  
Caddo Parish, Louisiana

I have audited the accompanying financial statements of Pine Hill Water Works District #8, a component unit of Caddo Parish, Louisiana, as of and for the year ended July 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Hill Water Works District #8 as of July 31, 2008, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Compensation paid Board members is presented for purposes of additional analysis and is not a required part of the basic financial statements of Pine Hill Water Works District #8. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted

principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express and opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 16, 2009 on my consideration of Pine Hill Water Works District #8 internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read "Richard C. McCallister", with a stylized flourish at the end.

Richard C. McCallister  
January 16, 2009



## **BASIC FINANCIAL STATEMENTS**

**PINE HILL WATER WORKS DISTRICT #8**  
**STATEMENT OF NET ASSETS**  
**July 31, 2008**

**ASSETS**

**Current Assets**

Cash and cash equivalents	151,116
Accounts receivable - Note 3	160,057
Prepaid expenses	<u>10,123</u>
Total current assets	321,296

**Noncurrent Assets**

Restricted cash and cash equivalents	
Revenue sinking fund	9,600
Depreciation and contingency fund	17,181
Construction funds	50,381
Restricted certificates of deposit	
Reserve sinking fund CD	136,780
Customer deposits CD	6,500
Capital assets - Note 4	1,842,526
Utility deposit	<u>50</u>
Total other assets	2,063,018

Total assets	<u>2,384,314</u>
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The accompanying notes are an integral part of these financial statements.

**PINE HILL WATER WORKS DISTRICT #8**  
**STATEMENT OF NET ASSETS**  
**July 31, 2008**

**LIABILITIES**

**Current Liabilities (Payable from current assets)**

Accounts payable	40,505
Total	<u>40,505</u>

**Current Liabilities (Payable from restricted assets)**

Revenue bonds payable - Note 5	0
Accrued interest expense	6,658
Customer deposits held	5,429
Total	<u>12,087</u>

Total current liabilities	<u>52,592</u>
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**Noncurrent Liabilities**

Revenue bonds payable - Note 5	1,200,000
Loan payable-DOTD - Note 8	230,076
Customer deposits held	<u>53,859</u>

Total non-current liabilities	<u>1,483,935</u>
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Total liabilities	<u>1,536,527</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	642,526
Restricted	179,575
Unrestricted	<u>25,686</u>

Total net assets	<u>847,787</u>
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The accompanying notes are an integral part of these financial statements.

**PINE HILL WATER WORKS DISTRICT #8**  
**STATEMENT OF REVENUE, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2008**

<b><u>Operating Revenues</u></b>	
Fees and charges for services	<u>663,012</u>
<b><u>Operating Expenses</u></b>	
Water purchases	224,442
Personal services	160,751
Well site and severance fees	35,044
Utilities	37,629
Maintenance of property and equipment	127,632
Professional services	8,484
Insurance and surety bonds	21,645
Office expenses	16,663
Travel	3,709
Conferences	3,159
Bad debts	2,609
Depreciation	<u>62,144</u>
Total operating expenses	<u>703,911</u>
<b>Operating Income</b>	<u>(40,899)</u>
<b><u>Non-Operating Revenue (Expense)</u></b>	
Interest income	21,112
Interest and fiscal charges	<u>(57,628)</u>
Total non-operating revenue (expense)	<u>(36,516)</u>
<b>Change in net assets</b>	(77,415)
<b>Net assets-beginning of year</b>	398,702
Capital contribution-State grant	<u>526,500</u>
<b>Net assets-end of year</b>	<u><u>847,787</u></u>

The accompanying notes are an integral part of these financial statements.

**PINE HILL WATER WORKS DISTRICT #8**  
**STATEMENT OF CASH FLOW**  
**INCREASE (DECREASE) IN CASH, AND CASH EQUIVALENTS**  
**FOR THE YEAR ENDED JULY 31, 2008**

<b><u>Cash Flows From Operating Activities</u></b>	
Cash received from customers	596,652
Cash payments to suppliers for goods and services	(492,388)
Cash payments for personal services	<u>(160,751)</u>
Net cash provided by operating activities - Note 6	<u>(56,487)</u>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>	
Deposits received from customers	5,000
Investment in certificate of deposit	<u>(6,780)</u>
Net cash from non-capital financing activities	<u>(1,780)</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>	
Interest paid on revenue bonds	(57,628)
Investment in capital assets	<u>(943,213)</u>
Net cash used for capital and related financing activities	<u>(1,000,841)</u>
<b><u>Cash Flows From Investing Activities</u></b>	
Interest on investments	<u>21,112</u>
Net cash used in investing activities	<u>21,112</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,037,996)</u>
Cash and cash equivalents at beginning of year	<u>1,266,274</u>
Cash and cash equivalents at end of year	<u><u>228,278</u></u>

The accompanying notes are an integral part of these financial statements.

**PINE HILL WATER WORKS DISTRICT #8**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2008**

**INTRODUCTION**

1. Pine Hill Water Works District #8 was created by the Caddo Parish Commission and is a subdivision thereof. This report includes all funds controlled by Pine Hill Water Works District #8. The District is considered a component unit of the Caddo Parish Commission, and will be included in the Commission's financial report for 2008.
2. The District was formed to operate a public water system north of Shreveport, Louisiana.
3. Its five Board members are appointed by the Caddo Parish Commission and are compensated \$60 each per meeting attended.
4. The District is located north of Shreveport, Louisiana.
5. The District serves approximately 1,600 customers.
6. The District employs 4 full-time employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Pine Hill Water Works District #8 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The District has adopted the provisions of Statement No. 34 of the Governmental Standards Board, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Statement No. 34 established standards for all state and local governmental entities that includes a statement of net assets; a statement of revenues, expenses and changes in net assets; and a statement of cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **B. REPORTING ENTITY**

The District is a component unit of the Caddo Parish Commission, the financial reporting entity. The Commission is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

## **C. FUND ACCOUNTING**

The Pine Hill District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

## **D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

### **Revenues**

Fees and charges for services are billed at the end of the month earned and are due by the 20<sup>th</sup> of the following month. This revenue is recorded as income in the month earned.

## **Expenses**

Operating expenses are recorded when incurred. Interest expense is accrued at the end of each period and included as expense.

### **E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. The District considers time deposits and those investments with maturities of 90 days or less as cash equivalents. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### **F. PREPAID ITEMS**

Items paid in the current year benefiting future periods are set up as assets.

### **G. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, other funds set aside for specific purposes are also classified as restricted. The District uses restricted resources to fund appropriations before using unrestricted resources.

### **H. CAPITAL ASSETS**

Capital assets of the District are included on the balance sheet of the fund at cost. Interest costs incurred during construction are not capitalized. Capital assets are being depreciated on a straight-line basis over the following years:

Water system	20 - 50
Office building	35
Machinery and equipment	5 - 10

### **I. COMPENSATED ABSENCES**

The District has adopted a leave policy. The policy provides for accumulation and vesting of leave; however, no provision is made for accumulation and vesting of leave due to its small amount.

### **J. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.



## **K. USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

## **2. CASH AND CASH EQUIVALENTS**

At July 31, 2008, the District has cash and cash equivalents (book balances) as follows:

Interest bearing demand deposits	228,278
Time deposits	143,280
Other	<u>150</u>
Total	<u><u>371,708</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash deposits at Bancorp South are collateralized as follows at July 31, 2008

Fair market value of securities pledged and held by Bancorp South	308,325
Current FDIC coverage	<u>100,000</u>
Total collateral	408,325
Collected cash balances	<u>219,475</u>
Collateralization (shortage) excess	<u><u>188,850</u></u>

The District also had a collected bank balance of \$170,160 at Regions Bank that was not collateralized by securities resulting in a violation of state law.

### 3. RECEIVABLES

Accounts receivable customers at July 31, 2008 consists of the following:

Accounts receivable – customers	138,059
Allowance for bad debts	(10,727)
Insurance claims receivable	32,725
Total accounts receivable	<u>160,057</u>

Provision is made for an estimate of uncollectible accounts with approved write-offs charged against that provision.

### 4. CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>End of Year</u>
<u>Not Depreciated</u>				
Land	19,535	-	-	19,535
Construction on process	174,868	-	174,868	-
<u>Depreciated</u>				
Office building	74,334	5,200	-	79,534
Water system	1,118,576	1,639,382	-	2,757,958
Machinery and equipment	65,590	-	17,622	47,968
Total	<u>1,452,903</u>	<u>1,644,582</u>	<u>192,490</u>	<u>2,904,995</u>
Accumulated depreciation	<u>1,017,947</u>	<u>62,144</u>	<u>17,622</u>	<u>1,062,469</u>
Net capital assets	<u>434,956</u>	<u>1,582,438</u>	<u>174,868</u>	<u>1,842,526</u>

## 5. LONG-TERM LIABILITIES

### Changes in long-term debt

The following is a summary of bond transactions of the District for the year ending July 31, 2008:

	<u>Revenue</u>
Bonds payable - beginning of year	1,200,000
Less bonds retired	-
Bonds payable - end of year	<u>1,200,000</u>
Less portion classified as current	-
Long-term portion	<u><u>1,200,000</u></u>

Bonds payable at July 31, 2008 are comprised of the following individual issue:

#### Revenue bonds:

##### 2007 Revenue bonds

interest only installments of \$57,600  
through 2009; annual installments of  
\$104,000 thereafter through 2026  
Interest rate at 4.8%

1,200,000

The annual requirements to amortize all bond debt outstanding at July 31, 2008, are as follows:

Year ending July 31	Revenue		
	Principal	Interest	Total
2009	-	57,600	57,600
2010	-	57,600	57,600
2011	45,000	55,720	100,720
2012	50,000	54,240	104,240
2013	50,000	51,840	101,840
2014-2018	300,000	218,640	518,640
2019-2023	380,000	146,520	526,520
2024-2026	375,000	27,840	402,840
Total	<u><u>1,200,000</u></u>	<u><u>670,000</u></u>	<u><u>1,870,000</u></u>

### **Flow of funds; restrictions on use-water revenue**

Under the terms of the bond indentures on outstanding Water System Revenue Bonds, all income revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Revenue is first deposited in the "Water System Revenue Fund" and shall first provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

Each month, there will be set aside into a fund called the "Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

There shall also be set aside into a "Reserve Fund" an amount equal to the highest principal and interest payments required for any future annual payments on the bonds. \$108,000 has already been put aside for this fund from the bond proceeds.

Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Sinking Fund and as to which there would otherwise be default.

Funds will also be set aside into a "Capital Additions and Contingencies Fund" an amount equal to the net monthly revenues after providing for the above funds. Money in the fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as maintenance in operation expense. Money in the fund may be used for system extensions, additions, improvements if the use of these funds will not drop the balance below \$50,000. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

## 6. STATEMENT OF CASH FLOWS

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	(40,899)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	62,144
Change in assets and liabilities:	
Accounts receivable	(63,751)
Prepaid Expenses	5,476
Accounts payable	<u>(19,457)</u>
Net cash provided by operating activities	<u>(56,487)</u>

## 7. RISK MANAGEMENT

Risks of loss are covered through the acquisition of commercial insurance. The District's risks of loss include property casualty, theft, and those associated with providing water to the public.

Schedules of insurance coverage in effect at July 31, 2008 are as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>	<u>Effective Dates</u>	<u>Effective Dates</u>
Arch Insurance	Commercial Liability	1,000,000/ 3,000,000	06/05/08	06/05/09
Arch Insurance	Fidelity Bond	325,000	07/16/08	06/05/09
Arch Insurance	Commercial Property	768,500	06/05/08	06/05/09
LA Work Comp	Workman's Comp	100,000	10/01/08	10/01/09
Arch Insurance	Business Auto	1,000,000	06/05/08	06/05/09
Arch Insurance	Inland Marine	147,942	06/05/08	06/05/09
Arch Insurance	Excess Liability	2,000,000	06/05/08	06/05/09
Arch Insurance	Employment Practices	1,000,000	06/05/08	06/05/09

## **8. LOAN PAYABLE-DOTD**

Many years back the District relocated its water line along highway 1 when it was widened. The District did not have available funds to provide for the relocation and the Department of Transportation paid for most of the relocation. According to State Law the funds spent by the DOTD were in effect a loan to the District and were to be repaid in the future in the event that any new permits were taken in the state right-of-way. The loan does not have any stated repayment terms or interest rates. The District has not yet made plans for any payments if they are requested to do so by the DOTD.

## **SUPPLEMENTAL INFORMATION**

**PINE HILL WATER WORKS DISTRICT #8**  
**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**  
**FOR THE YEAR ENDED JULY 31, 2008**

The following is a schedule of commissioners of the District and amounts paid them per diem for the year ended July 31, 2008:

Commissioner	Per Diem
Stephen McCutcheon	180
Edwin Myers	780
William Lee	720
Winnie Vance Antoine	600
Shirley Hamilton	360
Gary Covington	<u>660</u>
Total	<u><u>3,300</u></u>



## **OTHER REPORTS**

# Richard C. McCallister

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**REPORT ON COMPLIANCE**  
**AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Pine Hill Water Works District #8  
Caddo Parish, Louisiana

I have audited the financial statements of Pine Hill Water Works District #8, Caddo Parish, Louisiana, a component unit of Caddo Parish, Louisiana, as of and for the year ended July 31, 2008, and have issued my report thereon dated January 19, 2009. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Pine Hill Water Works District #8 financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and it is shown as find 2008-3 in the accompanying schedule of findings and questioned costs.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Pine Hill Water Works District #8 internal control over financial reporting as the basis for designing the auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pine Hill Water Works District #8's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Pine Hill Water Works District #8's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pine Hill Water Works District #8's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pine Hill Water Works District #8's financial statements that is more than inconsequential will not be prevented or detected by the Pine Hill Water Works District #8's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pine Hill Water Works District #8 internal control.

I noted two matters involving the internal control structure over financial reporting and its operation that I consider to be material weaknesses which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.



Richard C. McCallister  
Shreveport, Louisiana  
January 16, 2009

**PINE HILL WATER WORKS DISTRICT #8**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JULY 31, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Pine Hill Water Works District #8.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Two are reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Pine Hill Water Works District #8 was disclosed during the audit.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2008-1                      Segregation of Duties**

*Condition:* Due to the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the system. Currently, the general ledger accounting and bank reconciliations are maintained by outside professionals.

*Criteria:* When practical, personnel should have appropriate segregation of duties.

*Effect:* Accounting controls over accounts receivable, collections, and general ledger accounting are compromised.

*Recommendation:* Using outside services for the general ledger assistance and bank reconciliations helps mitigate the condition. The Board should closely monitor the situation.

2008-2

#### Theft of Receivables and Other Funds

*Condition:* Detailed customer accounts receivable listing has not been reconciled with the general ledger resulting in theft from the District. The office manager and accounting clerk over the fiscal year misappropriated approximately \$32,275 with some possible additional amounts into the current fiscal year. Both individuals have been terminated and arrested by the Caddo Parish Sheriff. The investigation is currently ongoing.

*Criteria:* For control over billing and collection, the detail should be reconciled monthly to the general ledger.

*Effect:* Monthly financial statements presented to the Board have been inaccurate. In addition, controls over billing and collection were lost. The theft will not result in any loss to the District because fidelity bond coverage.

*Recommendation:* Reconciliations should be prepared at the closing of each monthly period by the outside accounting firm.

### **C. FINDINGS – COMPLIANCE**

2008-3

#### Collateralization of Bank Accounts

*Condition:* Bank accounts set up for construction and reserve were not collateralized by the bank.

*Criteria:* State Law requires the District to assure that the bank provides the collateral.

*Effect:* Public funds are at risk against State Law.

*Recommendation:* The District should immediately notify the bank of the situation and have them provide the proper collateral and documentation supporting it.

**PINE HILL WATER WORKS DISTRICT #8**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JULY 31, 2008**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2007-1      Segregation of Duties**

*Condition:* Due to the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the system. Currently, the general ledger accounting and bank reconciliations are maintained by outside professionals.

*Recommendation:* Using outside services for the general ledger accounting and bank reconciliations assists in mitigating the condition. The Board should closely monitor the situation.

*Current Status:* Same

**2007-2      Accounts Receivable**

*Condition:* Detailed customer accounts receivable listing has not been reconciled with the general ledger.

*Recommendation:* Reconciliations should be prepared at the closing of each monthly period.

*Current Status:* Reconciliation not performed in-house or by the outside accounting firm.

**FINDINGS – COMPLIANCE**

**2007-3      Collateralization of bank accounts**

*Condition:* New accounts set up were not collateralized.

*Recommendation:* The District should notify the bank and have them provide collateral and documentation supporting it.

*Current Status:* One account was corrected by the bank but the one in excess of \$100,000 still remained uncollateralized.

**PINE HILL WATER WORKS DISTRICT #8  
P.O. BOX 78360  
CADDOPARISH, LOUISIANA 71137**

**JANUARY 31, 2009**

**CORRECTIVE ACTION PLAN**

Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana

Pine Hill Water Works District #8 respectfully submits the following corrective action plan for the year ended July 31, 2008.

Name and address of accounting firm:

Richard C. McCallister, CPA  
P.O. Box 44046  
Shreveport, Louisiana 71134

Audit period:

July 31, 2008

The findings from the July 31, 2008 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESSES**

**2008-1 Segregation of Duties**

*Condition:* Due to the District being limited to one person involved in the operation of the office, most of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the system.

*Action Taken:* No additional action is being taken at this time. The Board will continue to closely monitor the situation.

**2008-2 Accounts Receivable**

*Condition:* Detailed customer accounts receivable listing has not been reconciled with the general ledger.

*Action Taken:* Reconciliations will be made monthly with the assistance of our outside bookkeeper.

2008-3

**Collateralization of bank Accounts**

*Condition:* One bank account is not collateralized.

*Action Taken:* The bank will be notified and a correction made.

Very truly yours,

PINE HILL WATER WORKS DISTRICT #8

By: GE Mayne